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STATE FOR NEA/ARP, EEB/CBA
COMMERCE FOR ITA/COBERG

E.O. 12958: DECL: 09/02/2017
TAGS: [EIND](#) [ECON](#) [BEXP](#) [MU](#)
SUBJECT: CHAIRMAN EXPRESSES CONCERN OVER LARGE-SCALE
INDUSTRIAL PROJECT

REF: MUSCAT 804

Classified By: Ambassador Gary A. Grappo, reasons 1.4 b and d

¶1. (C) On August 30, the Ambassador met with Oman Oil Company (OOC) Chairman Maqbool bin Ali Sultan (who also serves as Oman's Minister of Commerce and Industry) to discuss the company's joint venture with Dow Chemical in constructing a polyethylene plant in the Port of Sohar industrial complex. As reported reftel, Maqbool acknowledged that construction costs were becoming a serious concern, noting that current estimates for construction were now hovering around the \$7 billion mark, and could easily escalate to around \$8 billion.

For this reason, Maqbool stated that OOC and Dow have established a joint committee to recommend cost saving measures by the end of September. The chairman cautioned that while capital wasn't a problem, higher investment costs were, as they reduced the economic feasibility of the project. As a result, Maqbool raised the possibility of the committee recommending a scaled-back design.

¶2. (C) Comment: A recommendation to shelve the project would represent a serious setback to government efforts to develop its primary industrial port complex and spur employment through the creation of numerous downstream industrial opportunities. While off to a solid start with the recent opening of a refinery and polypropylene plant, the Sohar port is beginning to face growing concerns over underutilized container capacity and availability of cheap natural gas to fuel future industrial ambitions. Nevertheless, the complex's \$2 billion aluminum smelter project remains on track, as does its plans to construct steel, iron ore, aromatics, and methanol plants. End Comment.
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